

Power Generation and Distribution

HUBC: 2QFY24 Management Call Takeaways

- HUBC held an investor briefing session to discuss 2QFY24 financial results. Management also provided further details on key developments and future outlook for the Company.
- The Company reported consolidated 2QFY24 earnings attributable to HUBC of PKR 15.28bn (EPS PKR 11.78), up by +15%/y/y compared to PKR 13.30bn (EPS PKR 10.25) in the similar period last year. On quarterly basis, profitability is down by 11%q/q during 2QFY24.
- Earnings improved on the back of addition of subsidiary, Thar Energy Limited (TEL). Increase in share of profit was due to higher profit by China Power Hub Generation Company (CPHGC) and contribution from Prime International.
- CPHGC disbursed its first dividend to the tune of US\$ 70mn with HUBC's share coming at US\$ 32mn. HUBC has entered in a Share Purchase Agreement (SPA) with HBL to acquire 9.5% shares in Sindh Engro Coal Mining Company (SECMC). The Company expects to finance the acquisition through internal resources.

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Earnings improved on the back of addition of subsidiary, Thar Energy Limited (TEL). Increase in share of profit was due to higher profit by China Power Hub Generation Company (CPHGC) and contribution from Prime International. Finance cost remained higher due to increase in interest rates.

Analyst

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Exhibit: HUBC Financial Highlights

For the period 2QFY24

PKRmn	2QFY24	2QFY23	y/y	1QFY24	q/q	1HFY24	1HFY23	y/y
Turnover	29,913	25,097	19%	33,730	-11%	63,643	54,687	16%
Gross Profit	16,751	12,863	30%	16,736	0%	33,488	22,585	48%
General & Admin expenses	692	351	97%	346	2.0x	1,038	633	64%
Other Income	900	495	82%	281	3.2x	1,181	907	30%
Other Expenses	162	410	-61%	150	8%	312	441	-29%
Profit from Operations	16,798	12,596	33%	16,521	2%	33,319	22,418	49%
Financing Cost	6,977	4,788	46%	7,069	-1%	14,046	7,124	97%
Share of profit/(loss) from associates	10,565	9,986	6%	12,035	-12%	22,600	13,077	73%
PBT	20,386	17,795	15%	21,525	-5%	41,911	28,372	48%
PAT	17,183	14,680	17%	18,318	-6%	35,501	24,154	47%
PAT - Attributable to HUBC	15,278	13,299	15%	17,082	-11%	32,360	22,398	44%
EPS (PKR)	11.78	10.25		13.17		24.95	17.27	
DPS (PKR)	4.00	5.75		5.00		9.00	21.25	

Source: IGI Research, PSX

No of Shares: 1,297.15mn

Key highlights from management conference call

- Growth in earnings was mainly led by contribution from TEL and Thal Nova. Higher share of profit from CPHGC and Prime International due to PKR depreciation further supported increase in profitability. However, incline in earnings restricted by higher finance cost.
- CPHGC disbursed its first dividend to the tune of US\$ 70mn with HUBC's share coming at US\$ 32mn.
- HUBC has entered in a Share Purchase Agreement (SPA) with HBL to acquire 9.5% shares in Sindh Engro Coal Mining Company (SECMC). The Company expects to finance the acquisition through internal resources.
- First fill arbitration has been concluded and awarded in favor of HUBC. The Company will approach the court for verification and expects to receive PKR 11.5bn.
- HUBC has accelerated the repayments of loans taken for investment in Thar and Imported Coal projects post COD of TEL and Thal Nova and commencement of dividends from CPHGC. Total amount repaid during 1HFY24 was PKR 2.3bn and consequently PKR 17.2bn remains outstanding.

- HUBC has signed MoU with KE for likely conversion of two RFO-fired units of its base plant to Thar Coal post expiry of Power Purchase Agreement (PPA) in Mar-27.
- Furthermore, HUBC through its wholly owned subsidiary Hub Power Holding Limited (HPHL) has pre-qualified for KE's 200MW wind/solar hybrid project. Moreover, HPHL has also pre-qualified for 150MW+120MW of Sindh Solar Energy Projects (SSEP) for power off-take by KE.
- Total receivables of CPHGC stand above PKR 90bn.

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